

Memo

To: John Gill and Vern Hughes
From: David Griffiths
CC: Anthony Gill
Date: 03/03/99
Re: Terms of Reference 5: To consider the Co-operative Energy Ltd proposal for usage subscriptions.

Usage Subscriptions

Usage Subscriptions

Co-operative Energy Ltd has proposed that the Federation consider the extent that subscription levels could be based on usage of services. The co-operative's letter of 23 July 1998 was broad and listed a number of considerations – including usage.

A letter was forwarded to Co-operative Energy Ltd by the Secretary on 17 February 1999 requesting a detailed proposal on one aspect of the co-operative's letter – a subscription level on the basis of the usage by members of the Federation's services. Co-operative Energy Ltd will be considering this letter at a board meeting in March or April 1999.

In the meantime, I have prepared some notes on a usage based subscription. If agreeable, it would be useful to formally provide these notes to the Co-operative Energy Ltd board for its discussions.

In brief, a usage-based subscription would mean a subscription levy which depends on the usage of the Federation's services. Co-operatives would nominate the subscription level which would determine the level of service they could access.

An example of a usage-subscription is the FOXTEL cable/satellite subscription service with a Basic Service and a more expensive Entertainment Plus service as well as additional fees for World Movies and Adults Only.

The difficulty would be in establishing a differentiated subscription based on a limited number of services. To significantly address the options it would be necessary to identify existing services and their usage by members. A matrix could be prepared of services, members and their usage of services.

In 4/23 February 1999 an initial listing of services is provided. Once actual usage is determined, it would also be possible to determine the costs of each member based on their usage and this is relevant to the issue of appropriate subscription levels. At present, the core administrative costs of the Federation are divided by the total number of members to establish a benchmark membership cost although subscription levels do not equate to this figure with most members paying above or below. In 5/23 February I have provided a list of members and subscription levels as provided by the Secretary.

A critical consideration is, of course, the cost of providing services and whether the same services could be provided as effectively more efficiently.

I have outlined below some arguments for and against usage based subscriptions. The choice is complex.

Advantages	Disadvantages
Members would only pay for those services they used. This would create an incentive for continuous improvement.	This could result in a drastic reduction of income as many co-operatives given a formal choice may opt for the lower level subscription service. This would be financially serious with larger co-operatives who provide a significant source of income and who support the Federation but make minimal usage of its services.
This would create an incentive for the development of more member-relevant and friendly services.	Services are already at a minimum and any income reduction could jeopardise existing services yet alone the development of new services.

Recommendation

The introduction of usage-based subscriptions would be hazardous at this point of time. Nonetheless, the Secretary should be asked about the feasibility of providing information on which co-operative members use which services. This would clarify the issue of usage patterns and subscription rates and provide a basis for acknowledging those members whose contribution exceeded their subscription level.